

WASHINGTON STATE ASSOCIATION OF WATER/WASTEWATER DISTRICTS
King County, Washington
January 1, 1989 Through December 31, 1991

Schedule Of Findings

1. Public Funds Were Misappropriated And Accounting Records Were Destroyed

Our audit of the Washington State Association of Water/Wastewater Districts' financial records revealed that at least \$10,629.52 in public funds was misappropriated during the period October 22, 1990, through July 9, 1991. There were no federal funds involved in this case. The schedule below summarizes these losses:

<u>Description of Loss</u>	<u>Amount</u>
Unauthorized Checks Issued to Herself or to Vendors to Pay Personal Bills	\$10,629.52
Less Reimbursement	<u>(6,000.00)</u>
Unrecovered Loss	<u><u>\$ 4,629.52</u></u>

These funds were misappropriated as described below:

Ms. Linda V. Cole made unauthorized disbursements to herself from the association's two checking accounts. Twelve checks were issued to herself, two checks were issued to the telephone company to pay her telephone bills, and six checks were issued to various banks to pay her credit card bills. Thirteen of these checks were signed by using a rubber stamp. The remaining seven checks were signed by an authorized signatory on the account. Some of these canceled checks could not be located and appear to have been destroyed to conceal these unauthorized disbursements.

These unauthorized transactions caused the association to incur excessive expenses without any public benefit or purpose.

Ms. Cole was the association's administrative assistant during the period of this loss and was responsible for all accounting of the association's revenues and expenses. Ms. Cole was terminated on July 9, 1991, when association officials discovered this misappropriation of funds.

RCW 42.20.060 states:

Every public officer, or person holding or discharging the duties of any public office or place of trust under the state or in any county, town, or city, a part of whose duty it is to audit, allow or pay, or take part in auditing, allowing or paying, claims or demands upon the state or such

county, town or city, who shall knowingly audit, allow or pay, or, directly or indirectly, consent to or in any way connive at the auditing, allowance or payment of any claim or demand against the state or such county, town or city, which is false or fraudulent or contains any charge, item or claim which is false or fraudulent, shall be guilty of a gross misdemeanor.

RCW 40.16.020 states:

Every officer who shall mutilate, destroy, conceal, erase, obliterate or falsify any record or paper appertaining to the officer's office, or who shall fraudulently appropriate to the officer's own use or to the use of another person, or secrete with intent to appropriate to such use, any money, evidence of debt or other property intrusted to the the officer by virtue of the officer's office, shall be punished by imprisonment in a state correctional facility for not more than ten years, or by a fine of not more than five thousand dollars, or by both.

RCW 9A.56.030 states:

(1) A person is guilty of theft in the first degree if he commits theft of:

(a) Property or services which exceed(s) one thousand five hundred dollars in value; or

(b) Property of any value taken from the person of another.

(2) Theft in the first degree is a class B felony.

RCW 9A.20.021 states, in part:

(1) Felony. No person convicted of a classified felony shall be punished by confinement or fine exceeding the following . . .

(b) For a class B felony, by confinement in a state correctional institution for a term of ten years, or by a fine in an amount fixed by the court of twenty thousand dollars, or by both such confinement and fine . . .

(2) Gross misdemeanor. Every person convicted of a gross misdemeanor defined in Title 9A RCW shall be punished by imprisonment in the county jail, or by a fine in an amount fixed by the court of not more than five thousand dollars, or by both such confinement and fine . . .

RCW 43.09.200 states in part:

. . . The state auditor. . . shall formulate, prescribe, and install a system of accounting and reporting, which shall be uniform for every public institution, and every public office, and every public account of the same class.

State Auditor's Office Bulletin 007, dated October 8, 1984, addressed to all political subdivisions, issued under the above authority states in part:

The chief executive officer or chief financial officer should immediately report the suspected loss to the State Auditor's Regional Audit Manager or the Chief Examiner of the Division of Municipal Corporations.

The following internal control weaknesses allowed these misappropriations to occur and not be detected in a timely manner:

- a. The signatory on the bank account did not adequately review the supporting documents for association disbursements.
- b. No one independent of the individual responsible for record keeping reviewed the monthly bank reconciliations.

We recommend the Washington State Association of Water/Wastewater Districts seek recovery of the misappropriated \$4,629.52 and related audit/investigation costs from its insurance bonding company. We further recommend the Washington State Office of Attorney General and the King County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and the State Auditor as directed by RCW 43.09.260.

Bond coverage for the association's administrative assistant as follows:

American Economy Insurance Company
Commercial Package Policy
Policy No. 02-CC-081263
\$10,000 with no deductible
January 20 to January 20, renewable each year

We also recommend the association:

- a. Review its overall accounting controls, correct the weaknesses outlined above, and implement an effective system of internal control designed to ensure the protection of association assets.
- b. Notify the insurance bonding company of this loss of funds.
- c. Notify the State Auditor's Office whenever a suspected or actual loss of public funds is discovered.